

EXHIBIT 42

US District Court - Delaware
Chapter 11 - W.R. Grace

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P.J. Eric Stallard

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

CHAPTER 11

IN RE:

W.R. GRACE & CO., et al.,

Debtors

Case No. 01-1139 (JFK)

Jointly Administered

DEPOSITION OF

P.J. Eric Stallard

October 24, 2007

Durham, North Carolina

Lead: David Bernick, Esquire

Firm: Kirkland & Ellis

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1 reliability, reproducibility, and validity. Correct?

2 You never make that disclaimer?

3 A. That's correct.

4 Q. So, again, we should be judging your work
5 in this case as to whether it is scientifically valid,
6 scientifically reliable, and scientifically
7 reproducible; correct?

8 A. Those qualities are part of an evaluation
9 of my work; they are not a complete evaluation. But
10 certainly, they would be components of a review of my
11 work.

12 Q. Okay. At the least, your work in this
13 case should be judged based upon whether it is
14 scientifically valid, reliable, and reproducible;
15 correct?

16 A. Correct.

17 Q. Would the same apply to the work of
18 Ms. Biggs?

19 A. Yes.

20 Q. Would the same apply to the work of
21 Dr. Peterson?

22 A. Dr. Peterson is not an actuary, so he is not
23 bound by the Code of Professional Conduct of actuaries.
24 My understanding is, he is a lawyer in good standing.
25 I don't think I am in a position to -- to comment on

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1 It's certainly -- it's certainly something that could
2 be done, and I simply haven't done that.

3 **Q. It is true, is it not, that in the late**
4 **1990s, there was a fairly significant, indeed, a**
5 **dramatic upswing in asbestos claims against a wide**
6 **variety of companies?**

7 A. It is true.

8 **Q. Are you aware of anybody who predicted that?**

9 A. No.

10 **Q. It is also true that that kind of claiming**
11 **behavior continued to rise up through approximately**
12 **2003; correct?**

13 A. When you say, that type of claim --

14 **Q. The dramatic increase in the rate of**
15 **asbestos tort claim filings continued up through**
16 **approximately 2003; correct?**

17 A. I believe that -- I believe that's correct.

18 **Q. It then fell dramatically after 2003;**
19 **correct?**

20 A. The totality of filings not stratified by
21 diseases dropped dramatically after 2003; I believe
22 that's correct.

23 **Q. Are you aware of anybody who predicted that**
24 **occurrence?**

25 A. I don't have a specific recollection. I

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1 know there was significant tort reform going on in
2 multiple states, and it would not be surprising at
3 all to me that persons who had studied the potential
4 impact of that tort reform would have expected that
5 nonmalignant claims would decline. But I can't attach
6 a specific name.

7 **Q. Are you aware of any actuary or any**
8 **estimator of asbestos liabilities who predicted the**
9 **drop-off in nonmalignant claims after 2003?**

10 A. I'm having -- I'm having a little trouble
11 answering your question. And I will tell you why I
12 have trouble. When I work with companies, one of the
13 things I ask their defense counsel is what their
14 expectations are with respect to the upcoming year or
15 two years, relatively short-term. And my recollection
16 is, in at least one case, sometime after 2003, I was
17 told that the expectation was that the claims would --
18 that there would be an impact of favorable tort reform,
19 and that the impact was down.

20 You are asking me if I am familiar with
21 anyone who said this. And the answer is, I have had
22 conversations that have indicated to me there was an
23 expectation of improvement without specific
24 quantification.

25 **Q. I have been a party to many of those**

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1 **from 1995 to 1999 was more a product of legal process**
2 **than it was a product of a biological process; correct?**

3 A. Correct.

4 **Q. Isn't it true that if we take a look at all**
5 **of the significant volatility in the Manville Trust,**
6 **from the time it opened its doors, most of that**
7 **significant volatility is due to developments in**
8 **legal process as opposed to biological process?**

9 MR. KRAMER: I object to the form.

10 A. I would agree, in a general way, with that.

11 **Q. In general, I think also that it is your**
12 **observation that when we take a look at biological**
13 **process as opposed to legal process, that biological**
14 **process is a process that, from an actuarial point of**
15 **view, can be captured in stable relationships and**
16 **relatively stable trends. Fair?**

17 A. The --

18 **Q. I think I am using your words.**

19 A. Right. The characterization is fair, but
20 the degree of stability depends on the specific
21 disease process that you have been looking at.

22 **Q. Fair enough. But, by and large, with the**
23 **disease process, and in particular, mesothelioma -- we**
24 **will focus on mesothelioma -- that's a process where,**
25 **from an actuarial point of view, the process and its**

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1 **Q. All of Ms. Biggs' trends deal with the**
2 **filing of claims; correct?**

3 A. Correct.

4 **Q. So what you are predicting is not whether**
5 **somebody is sick from Manville asbestos; what you are**
6 **predicting is whether they make a claim of being sick**
7 **from Manville asbestos. Correct?**

8 A. That's correct.

9 **Q. And those are two related but different**
10 **things; correct?**

11 A. Correct.

12 **Q. Whether somebody is sick from Manville**
13 **asbestos is a function of biological process; correct?**

14 A. Correct.

15 **Q. Whether a person makes a claim for being**
16 **sick from Manville asbestos is a function of a much**
17 **more complex process that involves many behavioral**
18 **factors; correct?**

19 A. I would -- I would agree -- I would agree
20 that it is a different process. I don't -- I don't
21 necessarily agree that it's a much more complex
22 process.

23 **Q. Sure it is, because if somebody makes a**
24 **claim against the Manville Trust, just makes a claim,**
25 **that is not predictable solely by reason of exposure**

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1 **Q. And the legal environment is a very, indeed,**
2 **extraordinarily complex environment; correct?**

3 A. There, I will comment that my expertise does
4 not -- does not extend into expertise in characterizing
5 the legal environment with regard to its complexity or
6 lack thereof.

7 **Q. Do you regard yourself able, as an actuary,**
8 **to predict changes in the legal environment?**

9 A. I -- I don't -- I don't predict changes in
10 the legal environment.

11 **Q. In all of your work, are you aware of**
12 **any scientist who has applied scientific method to**
13 **predicting changes in the legal environment for**
14 **asbestos claims?**

15 A. I am not -- I am not aware of such an
16 analysis.

17 **Q. Is there any scientific methodology that you**
18 **can even think of that would be capable of predicting**
19 **changes in the legal environment for asbestos?**

20 A. The scope of that question goes beyond my
21 expertise. In a general, nonexpert way, I would -- I
22 would have trouble imagining how to structure a model
23 that would be able to successfully predict such
24 changes. I could imagine a model that might tell you
25 changes for a short term. But if you asked, would this

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1 model extend 5, 10, 15, 20 years in the future, I would
2 have trouble conceptualizing this.

3 **Q. I will give you a really concrete one.**

4 **Was there any way scientifically to predict**
5 **that the Manville Trust, when it first opened its**
6 **doors, was going to be overwhelmed with claims?**

7 A. Without having done a detailed review of the
8 projection models at that time, but with my knowledge
9 of the projections that had been done in the early
10 1980s, I believe it could have been possible -- which
11 is a hypothetical that you asked me to consider -- it
12 could have been possible to develop projections that
13 had much higher values than the ones that were
14 ultimately adopted in the litigation process.

15 **Q. That's an interesting statement. Are you**
16 **telling me that there was a scientific method for**
17 **predicting that when the trust opened its doors to**
18 **begin with, the trust would be overwhelmed with**
19 **claims, to the point that it couldn't handle them?**

20 A. The question as to -- the question as to
21 whether it was possible is different from asking
22 whether there was a specific, accepted method in place.
23 I don't know --

24 **Q. Yes, it is, and I'm asking the latter.**

25 A. Right. So I put that question or interpret